

Good morning, my name is Marie Lenane and I am a Purchase of Service Pricing Analyst at the Executive Office of Health and Human Services. I am here to present staff testimony on the proposed amendments to 101 CMR 432.00: Rates for Certain Lead Agency Services. The proposed amendments update rates for services purchased by the Department of Children and Families.

The effective date for the proposed amended regulation is July 1, 2023.

The amendments to 101 CMR 432.00 are being proposed at this time in accordance with M.G.L. Chapter 118E, Section 13D, which requires the Secretary of EOHHS to establish by regulation and biennially update the rates to be paid by governmental units for social service programs.

The lead agency rates established at 101 CMR 432.00 are being updated to include an increase by a cost adjustment factor (CAF) of 2.78%, effective July 1, 2023. The CAF was determined by using baseline and prospective Massachusetts Economic Indicator data from IHS Economics – Fall 2022 Forecast, optimistic scenario data. The CAF reflects the period between the rates' base period (calendar year 2023 Q2) and the prospective period of fiscal years 2024 and 2025. In addition to the FY24 CAF, the rates for all services have been updated to include all staff salaries. It is the Purchase of Service (Chapter 257) policy to utilize salary data from the most recent version of the Massachusetts Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS) available at the time of the rate review. As such, the benchmarks are derived from the Massachusetts Bureau of Labor Statistics (BLS) wages dated May 2021 at the 53rd percentile. The programmatic expenses are benchmarked to the FY21 Uniform Financial Statements and Independent Auditor's Report (UFR). The administrative allocation has been benchmarked to 12% and the tax and fringe rate has been benchmarked to 25.39%. This benchmark is derived from the MA Comptroller's FY23 approved rate less terminal leave and retirement. This benchmark includes an additional 2% to be used to promote workforce initiatives such as retirement benefits. Lastly, rate provision language has been incorporated into this regulation to allow for administrative adjustments for extraordinary circumstances, which is inconsistent with other Chapter 257 rate regulations.

The total projected annualized cost to state government from the increase in rates effective July 1, 2023, is approximately \$1.6 million, which represents an increase of 12.24% over FY20 spending of approximately \$13.7 million.

This concludes my testimony. Thank you.